

MONTHLY OPERATING REPORT

CHAPTER 11

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee For Period OCTOBER 1 to OCTOBER 31, 2010.

THIS REPORT IS DUE 15 DAYS AFTER THE END OF THE MONTH. The debtor must attach each of the following forms unless the United States Trustee has waived the requirement in writing. File with the court and submit a paper copy to UST with an original signature.

Form Attached	Previously Waived	REQUIRED REPORTS/DOCUMENTS
(mark only one - attached or waived)		
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Comparative Balance Sheet (FORM 2-B)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Profit and Loss Statement (FORM 2-C)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cash Receipts & Disbursements Statement (FORM 2-D)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Supporting Schedules (FORM 2-E)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Narrative (FORM 2-F)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Copies of Bank Statement(s) and Reconciliations of Bank Balance to Book Balance for all Account(s)

I declare under penalty of perjury that the following Monthly Operating Report and any attachments thereto, are true and correct to the best of my knowledge and belief.

Executed on: 12/07/2010
(date)

Debtor(s)*: WAREHOUSE 86, LLC

By:**

Position: CHAPTER 11 TRUSTEE

Name of preparer: KIMBERLY R. LENTZ

Telephone No. of Preparer 228-867-6050

* both debtors must sign if a joint petition

** for corporate or partnership debtor

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee

COMPARATIVE BALANCE SHEET

ASSETS:**CURRENT ASSETS:**

 Cash.....
 Accounts Receivable, Net.....
 Inventory, at lower of cost or market.....
 Prepaid expenses & deposits.....*

Other _____

TOTAL CURRENT ASSETS.....

PROPERTY, PLANT & EQUIPMENT.....**

Less accumulated depreciation.....

NET PROPERTY, PLANT & EQUIPMENT.....

OTHER ASSETSINTEREST IN INCORPORATED BUSINESSINSURANCE CLAIM FROM TORNADO & FIREREGISTERED NAME, CUSTOMER LISTS(UNKNOWN)

TOTAL OTHER ASSETS.....

TOTAL ASSETS.....

Filing Date	Month	Month	Month	Month	Month	Month
11/04/08	MAY 10	JUNE 10	JULY 10	AUGUST 10	SEPT. 10	OCTOBER 10
89,361	71,091	35,509	34,860	34,862	34,863	32,807
152,270	611	611	611	611	611	0.00
73,633	0	0	0	0	0	0
68,702	66,044	61,297	61,297	61,297	61,297	61,297
383,966	137,746	97,417	96,798	96,770	96,771	93,329
2,178,073	0	0	0	0	0	0
-1,124,978	0	0	0	0	0	0
1,053,096	0	0	0	0	0	0
6,573	0	0	0	0	0	0
6,573	0	0				
1,443,634	137,746	97,417	96,768	96,770	96,771	93,329

If assets are carried at historical cost on debtor's accounting records and debtor elects to show them as such on the monthly reports, note the change above and include remarks on FORM 2-F (Narrative). All subsequent reports must then carry these assets at that value. Do not use historical cost one month and fair market value the next.

*This is a corrected number to reflect that the pre-petition retainer of \$35,000 should have properly been shown as a pre-petition legal expense since there was no balance as of the date of the filing of the bankruptcy petition.

**This number does not include \$1,117,225.84, the estimated reduction due to the tornado/fire.

FORM 2-B

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1/08

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee

COMPARATIVE BALANCE SHEET

<u>LIABILITIES:</u>	Filing Date	Month	Month	Month	Month	Month	Month
	11/04/08	MAY 10	JUNE 10	JULY 10	AUGUST 10	SEPTEMBER 10	OCTOBER 10
POST-PETITION LIABILITIES: ***							
Taxes payable (Form 2-E, pg.1 of 3).....							
Accounts payable (Form 2-E, pg.1 of 3).*							
Other: _____							
TOTAL POST-PETITION LIABILITIES:.....							
PRE-PETITION LIABILITIES: ***							
Notes payable - secured.....	1,264,902	3,732	3,732	3,732	3,732	3,732	3,732
Priority debt.....	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Unsecured debt. **	2,562,082	2,516,413	2,516,413	2,516,413	2,516,413	2,516,413	2,516,413
Other <u>PRIORITY UNSECURED</u>	19,000	19,000	19,000	19,000	19,000	19,000	19,000
TOTAL LIABILITIES.....	3,854,984	2,548,145	2,548,145	2,548,145	2,548,145	2,548,145	2,548,145
<u>EQUITY (DEFICIT)</u>							
PREFERRED STOCK.....							
COMMON STOCK.....							
RETAINED EARNINGS:							
Through filing date. ****	(2,411,350)	(2,411,350)	(2,411,350)	(2,411,350)	(2,411,350)	(2,411,350)	(2,411,350)
Post filing date.....		951	(39,378)	(40,027)	(40,026)	(40,024)	(40,024)
TOTAL EQUITY (NET WORTH).....	(2,411,350)	(2,410,399)	(2,450,728)	(2,451,377)	(2,451,376)	(2,451,374)	(2,451,374)
TOTAL LIABILITIES & EQUITY.....	1,443,634	137,746	97,417	96,768	96,769	96,771	96,771

* Reflects disputed insurance charge - Reconciled June 2009

** Reflects payment of utility charges and insurance premiums pursuant to court order

***Reflects updated November pre and post petition liability balances due to final reconciliation.

Post-Petition payables applied to pre-petition in April 2009

****This reflects a change to move a \$35,000 pre-petition retainer that should have been a pre-petition legal expense.

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee

PROFIT AND LOSS STATEMENT

	Month	Month	Month	Month	Month	Month
	MAY 10	JUNE 10	JULY 10	AUGUST 10	SEPT. 10	OCTOBER 10
NET REVENUE						
<u>COST OF GOODS SOLD:</u>						
Material.....						
Labor - Direct.....						
Manufacturing Overhead.....						
TOTAL COST OF GOODS SOLD:						
GROSS PROFIT:						
<u>OPERATING EXPENSES:</u>						
Selling and Marketing.....						
General and Administrative (rents, utilities, salaries, etc.).....	0	40,331	650	0	0	0
Other.....						
TOTAL OPERATING EXPENSES	0	40,331	650	0	0	0
<u>INTEREST EXPENSE</u>	(5)	(2)	(1)	(1)	(1)	(1)
INCOME BEFORE DEPRECIATION OR TAXES:	5	(40,329)	(649)	1	1	1
<u>DEPRECIATION OR AMORTIZATION</u>						
<u>EXTRAORDINARY EXPENSES *</u>						
<u>INCOME TAX EXPENSE (BENEFIT)</u>						
NET INCOME (LOSS)	5	(40329)	(649)	1	1	1

*Requires explanation in NARRATIVE (Form 2-F)

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**For Period OCTOBER 1 to OCTOBER 31, 2010**CASH RECONCILIATION**

1. Beginning Cash Balance (Ending Cash Balance from last month's report) \$ 34,863.00
2. Cash Receipts (total Cash Receipts from page 2 of all FORM 2-D's) \$ 1.00
3. Cash Disbursements (total Cash Disbursements from page 3 of all FORM 2-D's) \$(2,057.00)
4. Net Cash Flow \$ 2,056
5. Ending Cash Balance (to FORM 2-B) \$ 32,807.00

CASH SUMMARY - ENDING BALANCE

	<u>Amount*</u>	<u>Financial Institution</u>
1. Real Estate Account	\$ _____	_____
2. Trust Account	\$ _____	_____
3. Operating and/or Personal Account	\$ <u>32,807</u>	<u>BANK OF AMERICA - DIP</u>
4. Payroll Account	\$ _____	_____
5. Tax Account	\$ _____	_____
6. Other Accounts (Specify checking or savings)	\$ _____	_____
7. Cash Collateral Account	\$ _____	_____
8. Petty Cash	\$ _____	_____
 TOTAL (must agree with line 5 above)	 \$ <u><u>32,807.00</u></u>	

*These amounts should be equal to the previous month's balance for the account plus this month's receipts less this month's disbursements.

ADJUSTED CASH DISBURSEMENTS

Cash disbursements on Line 3 above less *
inter-account transfers & UST fees paid \$ 1,732.00

* NOTE: This amount should be used to determine UST quarterly fees due and agree with Form 2-D, page 2 of 4.

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee**QUARTERLY FEE SUMMARY**MONTH ENDED OCTOBER, 2010

Payment Date	Cash Disbursements *	Quarterly Fee Due	Check No.	Date
January	\$ <u>36,540.00</u>			
February	\$ <u>40.00</u>			
March	\$ <u>27.00</u>			
Total				
1st Quarter	\$ <u>36,607.00</u>	\$ <u>650.00</u>	<u>20103</u>	<u>04/22/10</u>
April	\$ <u>107.00</u>			
May	\$ <u>1.00</u>			
June	\$ <u>35,584.00</u>			
Total			<u>600001</u>	<u>07/16/10</u>
2nd Quarter	\$ <u>35,692.00</u>	\$ <u>650.00</u>	<u>600002</u>	<u>07/17/10</u>
July	\$ <u>0.00</u>			
August	\$ <u>0.00</u>			
September	\$ <u>0.00</u>			
Total				
3rd Quarter	\$ <u>0.00</u>	\$ <u>325.00</u>	<u>600004</u>	<u>10/14/10</u>
October	\$ <u>1,732.00</u>			
November	\$ <u></u>			
December	\$ <u></u>			
Total				
4th Quarter	\$ <u></u>	\$ <u></u>	<u></u>	<u></u>

DISBURSEMENT CATEGORY QUARTERLY FEE DUE

\$0 to \$14,999.99	\$325
\$15,000 to \$74,999.99	\$650
\$75,000 to \$149,999.99	\$975
\$150,000 to \$224,999.99	\$1,625
\$225,000 to \$299,999.99	\$1,950
\$300,000 to \$999,999.99	\$4,875
\$1,000,000 to \$1,999,999.99	\$6,500
\$2,000,000 to \$2,999,999.99	\$9,750
\$3,000,000 to \$4,999,999.99	\$10,400
\$5,000,000 to \$14,999,999.99	\$13,000
\$15,000,000 to \$29,999,999.99	\$20,000
\$30,000,000 or more	\$30,000

Note that a minimum payment of \$325 is due each quarter even if no disbursements are made in the case during the period.

* Note: should agree with "adjusted cash disbursements" at bottom of Form 2-D, Page 1 of 4. Disbursements are net of transfers to other debtor in possession bank accounts and net of payments of prior period quarterly fees.

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

(This form should be completed for each type of account listed on page 1 of FORM 2-D that the debtor maintained during the month.)

For Period OCTOBER 1 to OCTOBER 31, 2010Account Name: DIP - MM Account Number: 3755555454**CASH RECEIPTS JOURNAL**

(attach additional sheets as necessary)

<u>Date</u>	<u>Description (Source)</u>	<u>Amount</u>
10/29/10	INTEREST INCOME	1.43

Total Cash Receipts \$ 1.43

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee**CASH RECEIPTS AND DISBURSEMENTS STATEMENT**

(This form should be completed for each type of account listed on page 1 of FORM 2-D that the debtor maintained during the month.)

For Period OCTOBER 1 to OCTOBER 31, 2010Account Name: DIP - MM Account Number: 3755555454**CASH DISBURSEMENTS JOURNAL**
(attach additional sheets as necessary)

Date	Check No.	Payee	Description (Purpose)*	Amount
10/19/10		RECORD MAX, INC.	STORAGE FEE	\$1,732.50
10/19/10		U. S. TRUSTEE	QUARTERLY FEE	\$325.00
10/29/10		BANK OF AMERICA	SERVICE CHARGE	\$0.25

Total Cash Disbursements \$ 2,057.75

*Identify any payments to professionals, owners, partners, shareholders, officers, directors or any insiders and all adequate protection payments ordered by the court with an asterisk or highlighting. Any payments made as a result of a court order, should indicate the order date.

CASE NAME: WAWAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee**SUPPORTING SCHEDULES**For Period OCTOBER 1 to OCTOBER 31, 20¹⁰**INSURANCE SCHEDULE**

<u>Type</u>	<u>Carrier/Agent</u>	<u>Coverage (\$)</u>	<u>Date of Expiration</u>	<u>Premium Paid</u>
Workers' Compensation	<u>N/A</u>	<u></u>	<u></u>	<u></u>
General Liability	<u>N/A</u>	<u></u>	<u></u>	<u></u>
Property (Fire, Theft)	<u>N/A</u>	<u></u>	<u></u>	<u></u>
Vehicle	<u>N/A</u>	<u></u>	<u></u>	<u></u>
Other (list):				
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>	<u></u>

(1) Attach copy of certificate of insurance or declaration page of policy for any coverage renewed or replaced during the current reporting month.

(2) For the premium paid column enter "yes" if payment of premium is current or "no" if premium payment is delinquent. If "no", explain on Form 2-F, Narrative.

CASE NAME: WAREHOUSE 86, LLCCASE NUMBER: 08-03423-ee**NARRATIVE STATEMENT**For Period OCTOBER 1 to OCTOBER 31, 2010

Please provide a brief description of the significant business and legal action by the debtor, its creditors or the court during the reporting period. Comments should include any change in bank accounts, explanation of extraordinary expenses, and purpose of any new post-petition financing. Comments should also include debtor's efforts during the month to rehabilitate the business and to develop a plan.

NO ACTIVITY

TO:MICHELLE COMPANY:

H

CUSTOMER CONNECTION
BANK OF AMERICA, N.A.
DALLAS, TEXAS 75283-2406

Account Number 3755555454
01 01 149 01 M0000 E# 2
Last Statement: 09/30/2010
This Statement: 10/29/2010

Customer Service
1-877-757-8233

WAREHOUSE 86 LLC
DEBTOR IN POSSESSION U8-U3423
MMS ACCOUNT
PO BOX 16692
JACKSON MS 39236

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Bankruptcy Case Number: 0803423

MONEY MARKET SAVINGS

Account Summary Information

Statement Period 10/01/2010 - 10/29/2010	Statement Beginning Balance	34,862.67
Number of Deposits/Credits 1	Amount of Deposits/Credits	1.43
Number of Checks 2	Amount of Checks	2,057.50
Number of Other Debits 1	Amount of Other Debits	.25
	Statement Ending Balance	32,806.35
Number of Enclosures 2	Service Charge	.25

Interest Information

Amount of Interest Paid 1.43	Interest Paid Year-to-Date	22.01
Annual Percentage Yield Earned .05%		

Deposits and Credits

Date Posted	Customer Reference	Amount	Description	Bank Reference
10/29		1.43	INTEREST PAID ON 31 DAYS AVERAGE COLLECTED BALANCE OF \$33,999.85	09840003334

Withdrawals and Debits

Checks

Check Number	Amount	Date Posted	Bank Reference	Check Number	Amount	Date Posted	Bank Reference
600003	1,732.50	10/19	6192733613	600004	325.00	10/19	6292029520

Other Debits

Date Posted	Customer Reference	Amount	Description	Bank Reference
10/29		.25	FDIC ASSESSMENT	

Daily Balances

Date	Ledger Balance	Collected Balance	Rate	Date	Ledger Balance	Collected Balance	Rate
09/30	34,862.67	34,862.67	.050	10/29	32,806.35	32,806.35	.050
10/19	32,805.17	32,805.17	.050				

TO:MICHELLE COMPANY:

H

CUSTOMER CONNECTION
BANK OF AMERICA, N.A.
DALLAS, TEXAS 75283-2406

Account Number 3755555454
01 01 149 01 M0000 E# 2
Last Statement: 09/30/2010
This Statement: 10/29/2010

Customer Service
1-877-757-8233

WAREHOUSE 86 LLC

Page 2 of 2

Bankruptcy Case Number: 0803423

IMPORTANT INFORMATION

CHANGE OF ADDRESS. Please call us at the customer service telephone number listed on the front of this statement to tell us about a change of address.

TERMS AND CONDITIONS. All deposits to, withdrawals from, or other transactions pertaining to your account(s) are subject to the terms and conditions of the agreement you received when you opened your account and any amendments thereto. Amendments to the agreement may be made from time to time in the manner stated therein.

IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC TRANSFERS. If you think your statement or receipt is wrong or if you need more information about an electronic transfer (e.g., ATM transactions, direct deposits or withdrawals, point-of-sale transactions) on the statement or receipt, telephone or write us at the address or number listed on the front of this statement as soon you can. We must hear from you no later than 60 days after we sent you the FIRST statement on which the error or problem appeared.

- * Tell us your name and account number
- * Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe there is an error or why you need more information
- * Tell us the dollar amount of the suspected error.

For consumer accounts used primarily for personal, family or household purposes, we will investigate your complaint and will correct any error promptly. If we take more than 10 business days (20 business days if you are a new customer, for electronic transfers occurring during the first 30 days after the first deposit is made to your account), to do this, we will re-credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

For other accounts, we investigate, and if we find we have made an error, we will make the appropriate adjustment to your account at the conclusion of our investigation.

DIRECT DEPOSITS.

If you have arranged to have direct deposits made to your account at least once every 60 days from the same person or company, you may call us at the telephone number listed on the front of this statement to find out if the deposit was made as scheduled.

REPORTING OTHER PROBLEMS.

You must examine your statement carefully and promptly. You are in the best position to discover errors and unauthorized transactions on your account. If you fail to notify us in writing of suspected problems or unauthorized transactions within the time periods specified in the deposit agreement (which periods are no more than 60 days after we make the statement available to you and in some cases are 30 days or less), we are not liable to you for, and you agree not to make a claim against us for the problems or unauthorized transactions.

29-Nov-2010 09:12 AM BANK OF AMERICA 925-675-7573

2/3

Amount: \$1,732.50
 Account: 3755553454
 Bank Number: 11100001

Sequence Number: 6192733613
 Capture Date: 10/19/2010
 Check Number: 600003

Warehouse 86, LLC
 Debtor in Possession, Case No. 08-03423
 P O Box 16692
 Jackson, MS 39238

Bank of America
 32-1/1110

600003

DATE 10/14/10

PAY TO THE
 ORDER OF RECORDMAX INC.

\$ 1,732 ⁵⁰/₁₀₀

ONE THOUSAND SEVEN HUNDRED THIRTY-TWO AND ⁵⁰/₁₀₀ DOLLARS

RECORDMAX INC.
 40 NORTHTOWN DRIVE SE
 JACKSON, MS 39211

18852

E.K. [Signature]

MEMO: Box Storage & Destruction - 3 years

#600003# 011000012 375 555 5454#

>065300279<
 Central Hub
 2010-10-18
 1200524726

Electronic Endorsements

Date	Sequence	Bank #	Endrs Type	Bank Name	Trunc Return Reason
10/19/2010	6518867739	061000146	Undetermined	FEDERAL RES BANK OF	N
10/18/2010	000001200524726	065300279	Rtn Loc/BOFD	TRUSTMARK NATIONAL B	Y
10/19/2010	006192733613	111012822	Pay Bank	BANK OF AMERICA, NA	N
10/18/2010	000700541077	065300279	Undetermined	TRUSTMARK NATIONAL B	N

29 Nov-2010 09:12 AM BANK OF AMERICA 925-675-7573

3/3

Amount: \$325.00
 Account: 3735555454
 Bank Number: 11100001

Sequence Number: 6292029520
 Capture Date: 10/19/2010
 Check Number: 600004

Warehouse 86, LLC Debtor in Possession, Case No. 08-03423 P O Box 16692 Jackson, MS 39236		Bank of America 32-11110	600004
DATE 10/14/10			
PAY TO THE ORDER OF UNITED STATES TRUSTEE		\$ 325 ⁰⁰ / ₁₀₀	
THREE HUNDRED TWENTY-FIVE AND ⁰⁰ / ₁₀₀		DOLLARS	
UNITED STATES TRUSTEE U.S. TRUSTEE PAYMENT CENTER P.O. Box 70937 CHARLOTTE, NC 28272-0137		E.K. [Signature]	
MEMO: CHECK IS PRINTED ON SECURITY PAPER WHICH INCLUDES A MICROPRINT BORDER & FIBER FILLS			

ACCT # 3030808423

"600004" 1110000120 375 555 5454"

FRD-Cleveland
 >0410-1567-2<

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RECORDS ON THE BACK OF EACH CHECK CONTAIN MICROPRINT SECURITY FILLS AND FIBER FILLS
UNLESS OTHERWISE NOTED, ALL CHECKS ARE PAYABLE TO THE ORDER OF THE UNITED STATES TRUSTEE
10/19/2010 10/19/2010 10/19/2010 10/19/2010 10/19/2010 10/19/2010 10/19/2010 10/19/2010 10/19/2010 10/19/2010

Electronic Endorsements

Date	Sequence	Bank #	Endrs Type	Bank Name	Trunc Return Reason
10/18/2010	041015673102778	041015672	Rtn Loc/BOFD	US TREASURY ECP	Y
10/19/2010	006292029520	111012822	Pay Bank	BANK OF AMERICA, NA	N
10/19/2010	6519423461	041000014	Undetermined	FEDERAL RES BANK OF	N